

Manchester City Council Report for Information

Report to: Environment and Climate Change Scrutiny Committee – 10 March 2022

Subject: Waste, Recycling and Street Cleansing Services – Future Delivery

Report of: Strategic Director (Neighbourhoods)

Summary

The management of household waste is one of the key functions of the Local Authority and is a service of significant importance to every resident of the city. It is recognised that the current cleansing service standards are inconsistent across the city and do not meet the expectations of members and residents. The future delivery arrangements for the service need to ensure that the additional investment identified within the budget generates the maximum return and improvement.

The current contract for waste collection and street cleansing expires in 2038 but has two extension periods (2023 and 2031). As part of the commissioning cycle, the Council has reviewed the priorities for the next period and considered which delivery model can achieve these and Best Value. The continuation of the contract with Biffa has been assessed as the most effective option.

A service improvement programme and monitoring mechanism is being developed to ensure that arrangements for the next period deliver against the required improvement in outcomes.

Recommendations

That Members note recommendations detailed in report and comment on the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

By recycling more and wasting less – all Mancunians can contribute towards achieving the zero-carbon target. Replacement of 27 bin collection vehicles in 2021/22 will contribute towards achievement of the Councils carbon reduction plan.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Supporting residents and businesses to dispose of their waste responsibly and compliantly will support progress towards becoming a sustainable city.
A highly skilled city: world class and home-grown talent	The support provided to businesses enables businesses to grow and thrive in Manchester.

sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Working closely with both residents and businesses to support them in improving the neighbourhoods in which they live, work and socialise.
A liveable and low carbon city: a destination of choice to live, visit, work	Increasing recycling rates across the city will reduce Manchester's carbon footprint. Reducing litter will make the city cleaner.
A connected city: world class infrastructure and connectivity to drive growth	Reducing litter and fly tipping will reduce its impact on the city's infrastructure.

Contact Officers:

Name: Fiona Worrall
Position: Strategic Director (Neighbourhoods)
E-mail: Fiona.Worrall@manchester.gov.uk

Name: Matthew Bennett
Position: Director of Commercial & Operations
E-mail: Matthew.Bennett@manchester.gov.uk

Name: Heather Coates
Position: Strategic Lead: Waste, Recycling and Street Cleansing
Email: Heather.Coates@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

'Our Waste, Our Resources: A Strategy for England' (2018), DEFRA

1.0 Introduction

- 1.1 The management of household waste is one of the key functions of the Local Authority and its contribution to delivering better neighbourhoods and clean streets are considerable. It is a function that is important to every resident of the city. In that context, it is imperative that the Council delivers a service that is cost effective, contributes to the climate change agenda, and delivers wider social value contributions; whilst being sufficiently flexible to meet changing demands as the city grows and evolves. As a city that continues to see considerable sustained growth, the ability of services to adapt is even more important if the Council is to manage increasing costs for the future.
- 1.2 The street cleansing and waste collection function is fundamentally dependent on people; both in terms of service delivery and service use. Over the last 10 years Manchester residents have achieved their highest overall levels of recycling (40%) and lowest levels of residual waste. Biffa empty around 2.5 million bins every month. Outside of periods of service interruption or inclement weather, less than 0.06% of these collections result in a resident contacting the council because their bin was not emptied. However, the cleanliness of neighbourhoods has not improved to the extent hoped, littering and fly-tipping remains a challenge. As the city grows, this will continue to have an impact on the demand for services and this needs to be managed. This will be further shaped by recovery from the pandemic, impact of Brexit and global issues, cost of living crisis and inflationary pressures.
- 1.3 The pandemic has led to changes in behaviour which has continued to impact on services. In particular, we have seen an increase in household waste and decrease in recycling levels. We have also seen a continued increase in use of outdoor spaces, such as parks, with an associated increase in the volumes of litter being collected. The continued growth of the city alongside the changes in behaviour and the imminent changes to the national waste strategy presents an evolving challenge.
- 1.4 As part of the contract commissioning cycle, the Council have reviewed the priorities for the next period and considered which delivery model can best achieve these and Best Value. This process considered:
 - Priorities for residents and place.
 - Policy framework
 - Feedback from elected Members: getting the basics right.
 - Performance of the current arrangement.
 - Appraisal of alternative delivery models. This process was verified by an external consultant (Eunomia), who have extensive industry experience.
 - Ongoing requirements to decarbonise the fleet, compliance with local Clean Air Zone and contribution of this function to the Zero Carbon Plan.
- 1.5 The current contract for waste collection and street cleansing will come to the end of the first eight years in July 2023. The contract with Biffa expires in 2038 but has two extension periods (2023 and 2031). The strategic vision for the next period remains for Manchester to be in the top-flight of world cities

by 2025, when the city will be cleaner, recycle more and play its full part in limiting the impact of climate change. The Resources and Waste Strategy (RaWS) for England (2018) will also be implemented during the next 5+ years.

- 1.6 This paper provides an overview of the measures that will be taken to support the investment in improving the waste collection and street cleansing services and encourage residents and businesses to use legitimate disposal routes. It will also summarise the review process that was undertaken in respect of the decision to continue with the current contracted arrangements.

2.0 Policy Framework - Background

- 2.1 Over the last 15 years several policy decisions have been made which have shaped the current bin collection and street cleansing function. These are decisions which have been agreed by Members, many necessitated by legislation and austerity measures.

GM Refuse & Recycling Contract (Pre-2009)

- 2.2 The Greater Manchester Combined Authority (GMCA) manage the refuse & disposal contract for the 9 GM Authorities (exc. Wigan). Prior to the disposal function moving to the GMCA, the arrangement was managed by the Greater Manchester Waste Disposal Authority (GMWDA). In April 2009, the GMWDA signed a 25-year private finance initiative (PFI) waste and recycling contract with Viridor Laing (Greater Manchester). The following changes occurred:

- The recycling input specification was agreed which determined the types of recycling now collected by the 9 GM Authorities who collect material across the conurbation. This includes the requirement to collect three streams of recycling: 1) paper, card, and tetra pak; 2) plastic bottles, glass, cans & tins; 3) garden and food waste.
- The Household Waste Recycling Centres (HWRCs) or tips, were upgraded and the recycling options for household waste increased.
- The 9 GM Authorities pay for disposal arrangements via the Waste Levy.

Executive in 2011

- 2.3 A range of service prioritisation measures were agreed as part of budget challenges in 2010/11. Measures included:
- The prioritisation of recycling collection and reduce frequency of refuse collection to fortnightly. Target savings £2.7m+ *Report on Budget Proposals for the Neighbourhood Services Directorate to Executive 16 February 2011 (manchester.gov.uk)*
 - To encourage recycling and participation in the food recycling service recycling bins and caddy liners are provided free of charge (£523k 2020/21).

- The bulky waste collection arrangements reduced to one free collection per year of up to 3 items, with a charge applied for subsequent collections. In 2021 there were 30,655 collections, 6% were charged for (£27 per collection).

Executive in 2014/15

2.4 In response to budget shortfall (c£60m 15/16) and a desire to improve services, a range of saving options were proposed. Of relevance to the waste collection and street cleansing function, the following changes occurred.

- Integration of functions across the Neighbourhoods Service (previously Neighbourhood Delivery Team, Neighbourhood Regeneration Team, and Community Cultural Services). To support resident to manage waste legitimately via engagement, education, and enforcement.
- To reduce waste levy costs through policy changes inc. swapping refuse 240 l black bins for 140 litre grey bins. Other projects inc. apartment recycling project to increase recycling which led to rate increasing from 10% to 20% for this property type. Target savings £2.4m.
- To procure a joint contract for street cleansing and bin collections. Waste client team established to manage contract and oversee service change programme. Target savings £1.6m. *Report on budget options for the Growth and Neighbourhoods directorate to the 26 November 2014 meeting of the Executive (manchester.gov.uk)* NB. Bin collection contract previously delivered via a partnership with Enterprise. Street Cleansing service was delivered in-house with Grounds Maintenance. Current bin collection and street cleansing specification agreed as part of the procurement process. Contract with Biffa commenced 4 July 2015.

GMCA 2017

2.5 The GM Waste Disposal PFI with Viridor-Laing was terminated. The GM Disposal contract with Suez commenced in June 2019.

3.0 GM Waste Levy

3.1 Future waste levy costs are likely to increase, there are several factors affecting this which are detailed below.

- The RaWS will require further investment in the MRF facilities to allow separation of an increased number of plastic types (pots, tubs, trays, and film). This may increase logistics required to move materials and off-take arrangements for these new streams will also need to be considered.
- The Clean Air Zone and requirement to decarbonise the GM waste fleet will also require further investment in the waste fleet over the next 5-years.
- The GMCA's thermal recovery facility (TRF) located at Raikes Lane in Bolton is expected to require further investment as regulations around operating standards increase. Under the Suez contract, the variable cost per tonne for waste treatment at this facility is c.£11 per tonne. This compares to merchant facility gate fees in the range of £85 to £100 per

tonne. The GMCA are commissioning a review of the plant condition and future options.

- The current contracts with Suez will reach the first break clause in 2026, with an option to extend for a further 3-years. Suez has recently been acquired by Veolia, creating a company with 52% of the market by turnover significantly reducing competition in the sector. Veolia bid for the contract in 2019, their bid was +£17m more per annum than Suez. At a local level GMCA believe the new company will take a very close look at the performance of the Greater Manchester Contracts, especially financially, and this may signal a change in approach to dealing with unforeseen financial events and an increase in commercial claims.

4.0 Current Service

Background

- 4.1 The contract let to Biffa in 2014, through a competitive tendering process, brought together the waste collection and street cleansing services following a detailed options appraisal. The contract commenced in July 2015 for an initial term of 8 years and included two optional extension periods taking the contract to a maximum period of 23 years. The extension points are at year 8 (2023) and 16 (2031).
- 4.2 The contract provided savings of around £1.6m per annum, which at the time represented 10% of the overall expenditure on street cleansing and waste collection. It also reintroduced some services, including weekend and night-time street cleansing. One of the key aspects of the contract is that it provides an output-based service standard. This shifts the service delivery risk onto the contractor and incentivises them to ensure that cleansing is undertaken thoroughly at the first pass.
- 4.3 The contract has evolved over time as additional elements have been added to the service in response to the changing requirements of the city in terms of the continued residential growth, changes to recycling collections and the continuing challenges in respect of fly-tipping and littering.
- 4.4 The contract, pricing and performance mechanisms were externally evaluated in 2017 by Ernst & Young as part of the budget challenge process. This was to provide assurance around changes to the cost model following the service changes reducing the size of the residual bins provided to residents. The review validated the cost and performance model in use.

Performance

- 4.5 The performance of Biffa since the contract inception has been reviewed against the key performance indicators agreed as part of the contract. There were issues in 2016/17 with street cleansing performance and in 2019/20 with the passageway quarterly cleansing, which were addressed through a formal service improvement plan.

- 4.6 The contract does not cover all parts of the city e.g., parks, green spaces, and other council owned land. There are also issues with privately owned land, which is sometimes assumed to be with the City's control. Whilst this report is primarily focused on the specific services Biffa currently provide, it is acknowledged that the standard of cleanliness across the city is not satisfactory and needs to be addressed.
- 4.7 Previous policy decisions have also created challenges. Increased flexibility and capacity will mean that regardless of which delivery model is in place, more investment will be required. Budgetary constraints have prevented investment in the past, but this is now being looked at with some of the funding from the finance settlement.
- 4.8 It is recognised that there are issues in some parts of the city serviced by passageway containers where it is believed there has been an intensification in population, which has led to increased levels of waste presentation, this has been further exacerbated during the pandemic.
- 4.9 Biffa are not responsible for cleansing all MCC owned land, including parks, open green spaces, and corporate property managed land nor privately owned land. These areas impact on the perception of cleanliness and need to be looked at more holistically through closer working with neighbourhood teams and resident groups.
- 4.10 Most of the service standards are being delivered in-line with the contractual performance obligations. Although the contract performs well from a statistical perspective this does not mean that expectations from members or the public are being fully met. Nor does it mean that standards are met in all areas of the city all the time. A performance update was provided to the Environment & Climate Change Committee in October 2021.
- 4.11 Frequency of street cleansing is different across the city to take account of the known issues e.g., in the north frequency is every 2 weeks rather than 3 in the south. However, the rate at which the cleanliness of an area deteriorates is very high in some areas of the city for a variety of factors, which does mean that some expectations cannot be met within the existing resources of the contract. It is acknowledged that Members would like more flexibility and the opportunity to better respond to local priorities.
- 4.12 There have however also been several positives from the contract including responsiveness to service changes, demands and the ability to maintain most services throughout the pandemic. The Social Value contribution provides significant value, particularly the engagement and education officers who support a wide range of community initiatives and deliver significant engagement with young people. The partnership working in relation to delivering the commitment to carbon reduction has also been a highlight. This has resulted in the electrification of almost half the collection fleet through the introduction of 27 battery electric RCVs to the fleet. All these vehicles will be in operation by April 2022 and will be the largest electric waste fleet currently in operation in the Country. This could not have been achieved without the

support of Biffa who have significantly greater influence than the city council on major commercial vehicle partners

5.0 Feedback

5.1 Feedback from elected members, residents and other stakeholders can be split into the three distinct areas, the level of service provided, the previous policy decisions taken, and the performance of the contractual arrangements.

5.2 The main issues with the service levels are: -

- A review of passageway capacity in parts of the city where population has intensified and the maintenance programme for passageway containers and weekly sweeping arrangements.
- Requirement for increased cleansing frequencies in District Centres and a review to ensure this was meeting the requirements, particularly to recognise the impact of night-time economy. Since the contract was let there are more cycle lanes in the city and there has been an increase in usage which needs to be reviewed against the current specification.
- Systems in place for flats above shops are inadequate.
- Don't reflect the rates of deterioration seen in some areas of the city.
- System for requesting new litter bins is inflexible.
- Maintenance standards for litter bins insufficient.
- A desire for increased resident engagement and education (including in schools) and more enforcement.

5.3 The issues around current policies included: -

- The systems in place to manage bulky waste and the increased challenges facing residents who are not able to use HWRCs to dispose of these items.
- Need to improve access to food recycling in apartments and terraced properties where storage is a challenge.
- The approach to communication needs to be accessible for all and recognise the diverse languages spoken across the city – particularly for residents where English is not their first language.
- Funding and processes for new alley gates
- More CCTV and enforcement action required.

5.4 The issues specific to the contract, or management of the contract, included: -

- Standards around arterial roads, cycle lanes and District Centres not consistently being met.
- City centre standards not always being met by 8am.
- Weekly sweeping around passageway containers is poor.
- Biffa staff culture does not always reflect 'Our Manchester.'

5.5 Most of these issues are a result of either the service standards adopted, which is limited by the available resources, or the policy framework that has been applied. It is recognised that these will need to be reviewed in some

cases to deliver the improvements required. There are also several issues that relate directly to the contractor which will be addressed through enhancement of the contract monitoring function to ensure sufficient resources are in place to hold the service provider to account for service failures.

- 5.6 It is recognised that performance monitoring and reporting arrangements need to be strengthened to ensure transparency about contract performance. This will also need to include stronger member involvement around the future investment in services and priorities.

6.0 Resources & Waste Strategy (RaWS) for England (2018)

- 6.1 The responsibilities for Local Authorities under the resources and waste strategy (RaWS) is still to be defined. It is expected to result in a 65% recycling target (at a GM level) by 2035, more plastic types to be collected via the kerbside service and a requirement for weekly food waste collections from every household.
- 6.2 A focus will be placed on waste prevention, reuse, rehome and repurpose rather than just recycling. This will have a greater impact on the education and behaviour change elements of the service in future.
- 6.3 It will also introduce the 'producer pays' principle and extend producer responsibility for packaging (EPR) as well as a deposit return scheme (DRS) for cans and plastic bottles.
- 6.4 The implementation of these initiatives is expected to take place over the next 5 years and will require service changes to implement. The extent of these changes cannot currently be forecast, confirmation from Defra is expected by mid-2023/24. It has been proposed that some funding will be available via 'new burdens' and through EPR, but there is concern it will not cover all new revenue costs.

7.0 Service Improvement – Next Period

- 7.1 The options considered around the service delivery model detailed in section 8 will not, in isolation, result in any significant difference to the overall level of service that can be delivered. The additional costs identified within each of these options are simply around the implementation costs and the foreseeable changes in operating costs. Further investment would be required under any option to improve the standard of service to be delivered.
- 7.2 Section 5 detailed several elements of the service that residents have highlighted to members are deficient. An increase in the overall level of resource within waste and street cleansing, as well as an increase in capacity to support resident engagement focussed on reducing littering and poor waste management, is the only realistic option to improve standards.
- 7.3 The Council is facing a challenging financial position with a projected budget gap of £38m in 2023/24. However, in recognition of the need to invest in

improving the cleanliness of the city's streets and neighbourhoods some of the flexibility in the 2022/23 finance settlement has been earmarked for investment to deliver improvements.

- 7.4 After allowing the planned contract uplift, the funding will provide additional investment of £700k in 2022/23, rising to £1.2m in 2023/24.
- 7.5 The budget investment, whilst significant in the context of the financial challenges the council is facing, is not sufficient to deliver all the improvements required. Careful prioritisation will be required to ensure that the changes made deliver the maximum impact.

Service Improvement Programme Timescales (subject to final approval)

- 7.6 The service improvement programme below, sets out how priorities highlighted by members in section 5 will be delivered. It also includes key strategic priorities: Resident, Business, Digital Experience Programme (RBDxP), decarbonisation of the fleet, depot refurbishment project and implementation of the Resource & Waste Strategy (RaWS) England (2018).

Phase 1: Planning for second contract period & implement quick wins (22/3)

- Develop strategy and policy framework. This will include strategies for: Waste & Recycling collections (informed by RaWS); Fly-tipping, street cleansing and bin infrastructure; and Communications & Engagement.
- Establish regular sessions with elected Members and stakeholders to inform above. Proposed themes subject to agreement with Exec Member: Service Improvement Programme, Policy Framework, Contract Governance & Performance Monitoring, Engagement & Education strategy, Fly-tipping, litter & bin infrastructure strategy, Resource & Waste Strategy (RaWS), Zero-Carbon and Social Value priorities for the next phase.
- Review and enhance contract governance arrangements and KPIs as part of the renegotiation process. Establish mechanism to collect ward priorities as part of annual business planning process to be incorporated into the service providers delivery plan (from 23/24).
- Recruit staff to enhance client function and provide support to engagement activity / Keep Manchester Tidy.
- Establish Service Improvement Group and finalise project timescales.
- Trial new sweepers and street cleansing methodology to inform procurement of equipment for the second phase of the contract. Review with Biffa where quick wins can be actioned in 22/23.
- Establish a workstream to review operational processes for abandoned bins, contaminated bins and bin returns.
- Establish a workstream to review operational processes for bulky collection to see how it can be optimised to ensure appointment availability aligns to demand. Work with charities and re-use sector to understand how support can be offered to enhance and increase take up.

- Enhanced Keep Manchester Tidy capabilities to support volunteers and increase campaigning, engagement, and education work.
- Work with the GMCA and Suez to consider future shape of HWRCs to ensure alignment with Net Zero carbon and access for non-car users.
- Increase passageway cleansing frequency from quarterly, this will require a differentiated approach as deterioration rates vary across city. Schedules will be provided to Members (as they are currently). (Qtr 1).
- Develop passageway improvement plan.
- Procure 200 new litter bins (spring clean investment) to replace existing poor infrastructure and provide new litter bins. (Qtr 1). Establish improved maintenance plan and approach for managing bin infrastructure. (by end Q4 22/23).
- Flats above shops: data gathering and planning to inform new service standard (by Qtr 3). Implementation by Q1 23/24.
- Engagement and education work to improve quality of recycling (ongoing requirement).
- Work will commence on the RBDxP. As part of this transformation programme all current CRM forms, web interfaces and back-office processes for this function will be reviewed and re-designed (as necessary). This will include work to review interface with Biffa's operating system (Whitespace). The new technology partner (determined as part of RBDxP) will modernise applications and capabilities, this will improve flow and accuracy of information from job request to job completion and closure.
- Redevelopment works will start at Hammerstone Road depot where the waste and street cleansing operation for the North and Central areas of the city are based. This will modernise the existing depot, support a culture change for staff and provide a future proofed solution to support a decarbonised fleet (two-year programme). Timescales subject to Cap Programme process (Project being led by Corporate Estates).

Phase 2: Implementation of Service Improvement Programme and planning for requirements of RaWS (23/24 and 24/25)

- Implement new street cleansing system and new sweepers (from July 24).
- Implementation of the RBDxP solution for the waste and street cleansing function. Timescales will be subject to procurement and programme development.
- Planning for requirements of the Resource and Waste Strategy (RaWS). Implementation is likely to begin during this period subject to confirmation from the Government.
- Completion of Hammerstone Road redevelopment project.

Phase 3: Implementation of RaWS and transition towards BAU position (25/26 and 26/27)

- Service Improvement Programme will transition to business as usual.
- Implementation of the requirements for RaWS.

Phase 4: Commissioning cycle review process (28/29 onwards)

- MCC commissioning cycle review process begins inc. delivery model appraisal to inform the next period.

7.7 The Service Improvement Programme will include input from regular engagement sessions with elected members and stakeholders. The governance arrangements will require the business level Service Improvement Programme steering group to report to the Strategic Waste Board (Quarterly). Bi-annual updates will be provided to all elected members. A progress update will be included in the annual waste update report to the Environment & Climate Change Scrutiny Committee.

7.8 Table showing overview of service improvement activity in the next period

		Service Improvement Programme (SIP)	RBDxP	RaWS	Fleet
Yr 8	22/23	Phase 1: Planning & identify quick wins. RBDXP planning. Redevelopment of Hammerstone Rd depot			
Yr 9	23/24	Phase 2: Implementation of SIP. Planning and implementation of RaWS RBDxP implementation. Redevelopment of Hammerstone Rd depot.			
Yr 10	24/25				
Yr 11	25/26	Phase 3: SIP moves to BAU Implementation of RaWS*			
Yr 12	26/27				
Yr 13	27/28	BAU – contract delivery			
Yr 14	28/29	BAU – contract delivery (ongoing)			
Yr 15	29/30	Phase 4:			
Yr 16	30/31	MCC commissioning cycle review process begins inc. delivery model appraisal to inform the next period.			

**RaWS timescales subject to confirmation from the Government mid 22/23.*

8.0 Delivery Model

8.1 This report recommends that the Council continues with the current model of service provision with Biffa. This is because following analysis the current arrangements represent the best value for money and the lowest risk to service delivery.

8.2 In reaching this conclusion a number of options were carefully considered and a detailed analysis undertaken in conjunction with expert external advice on the options available.

- 8.3 It is accepted that with any option, further investment is required to improve cleanliness across the city and some of the service standards of waste collection.
- 8.4 All of this will come at a cost as each element of the service is carefully costed based on people, vehicles and the required frequencies and volumes of collections / cleansing. It is also therefore recommended that the ongoing additional costs of changing the service model is directly invested in improving the service; and that this is robustly monitored so members can assess their success.
- 8.5 The options that have been assessed around how the service could be delivered from July 2023 are: -
- Retender the service
 - Bring the service in-house
 - Transfer the service to a wholly owned company
 - Continue the current contract
- 8.6 An independent consultant, Eunomia, was appointed to appraise the work that was undertaken and provide feedback, assurance and comparator information from exercises undertaken by other Local Authorities. This included LA's that had setup Wholly Owned Companies, insourced the service and been through tender processes.
- 8.7 This section summarises the detailed work that has been undertaken in relation to these options and the decision that has been reached. All the options were assessed in the context of what needs to be improved, how effectively this can be done, value for money, health, and safety requirements and risk to service delivery.
- 8.8 All the options assessed are ultimately achievable methods of delivering the service and subject to resources, the improvements required. However, the time available, current economic circumstances and organisational capacity all have a bearing on the deliverability of the options considered for a service commencement date of July 2023.
- 8.9 The option to re-tender was discounted for a number of reasons; including: -
- It was considered unlikely that a procurement process would result in a more efficient or cost-effective service being offered by another provider. The current contract was let in a very competitive market and attracted a number of strong bids from established providers, the exercise delivered the 10% savings that were targeted at the time.
 - The current market conditions are not as competitive as in 2014 due to the consolidation within the provider market.
 - Potential bidders are likely to be more risk averse as the reasons behind the consolidation within the market and reduction in number of potential bidders has been at least partly due to the unprofitable nature of several LA contracts which were previously let.

- General inflation levels, which are currently much higher than at the time of tendering, would also be reflected in any bids. The current arrangements insulate the Council from all inflation except pay (NJC rates) and fuel.
- The potential refusal of the market to accept the current performance model, which is based on outputs rather than inputs. Biffa have indicated that they would not accept / bid on this basis again and it is highly likely that this position would be reflected in the wider market or would lead to a significant increase in cost.
- The statistics around hazardous waste, fly tipping and cleansing requests over the current contract period would form the basis of any new bids; and given the substantial increases in some of these areas an uplift in cost would be expected.
- It would take an estimated 24 months to effectively re-procure a contract of this size and complexity, which would therefore require a short-term extension to the current arrangements.

8.10 The option to continue to bring the service in-house was also considered, this is not considered feasible at this time for a number of reasons, including: -

- The implementation and mobilisation costs are likely to be in excess of £2.5m. This would need to be funded from reserves.
- The ongoing running costs of the service are likely to increase by c.£2m per annum. This would add to the savings required from 23/24 onwards and would impact in other service areas.
- There are considerable risks in relation to the workforce, potential harmonisation of T&Cs and the impact of productivity this may have.
- It may create potential broader workforce risks in relation to equal pay for other service areas.
- The ICT requirements and implementation of new systems is high risk within the available timescales and coincides with other major ICT transformation projects, such as CRM.
- It would require significant strategic capacity from within the organisation, which is currently limited by ongoing projects such as the integration of Northwards.

8.11 The option to create a Wholly Owned Company to transfer the service into as a new delivery model has also been considered in detail. This represents the most cost-effective solution after the option of continuing the current contract. However, this is also not considered feasible at this time for similar reasons to the insourcing option. These include: -

- The implementation and mobilisation costs are likely to be in excess of £2.5m. This would need to be funded from reserves.
- The recruitment of a senior team to manage the process and service going forwards is a significant risk to the project.
- The ongoing running costs of the service are forecast to be greater than continuing with the current arrangements.

- The ICT requirements and implementation of new systems is high risk within the available timescales and coincides with other major ICT transformation projects, such as CRM.
- It would require significant strategic capacity from within the organisation, which is currently limited by ongoing projects such as the integration of Northwards.

8.12 The option to continue the current contractual arrangements with Biffa has been assessed as the best option available at this time. The reasons for this include: -

- It represents the best value for money. The increase in contract fee requested of £530k per annum still means that this is the lowest cost option available.
- There are no implementation costs or disruption to service provision as a result of a major transformation project.
- The Council remains insulated from a number of inflationary issues through the contract mechanism in place.
- The service improvements identified as being required can be delivered within the contract framework that already exists.
- Continued support with the carbon reduction strategies within the service which is significant to wider priorities.

8.13 None of the models considered would provide an immediate improvement in the service, as this is ultimately constrained by the resources available in terms of staff and vehicles.

8.14 Additional investment has been identified within the budget for 2022/23 of £700k, rising to £1.2m in 23/24. Any element of this which is paid to Biffa to improve or change the service will require a contract variation. This will enable the outcomes to be built into the contract and closely monitored.

8.15 Other issues that were considered when determining the delivery model including proposed changes to procurement regulations, the changes to Health and Safety legislation and the likely outputs from the Governments resources and waste strategy.

9.0 Conclusion

9.1 It is recognised that the current services, particularly around cleansing, do not deliver the standards expected by members or residents. A proposed service improvement methodology has been developed to ensure that the agreed investment in the service is targeted at the right areas and is monitored to ensure that it delivers against the expected outcomes.

9.2 The continuation of the contract with Biffa has been assessed as the most effective way of continuing to deliver the current waste collection and street cleansing requirements. This is based on the analysis of a wide range of issues, including cost, inflationary pressures, organisational capacity, carbon reduction targets and the time available.

10.0 Decision making process

10.1 In 2015 a key decision was made to appoint a company to provide the Waste and Recycling Collection and Street Cleansing Services. The contract commenced July 2015 until July 2023 with an option to extend the contract for further period(s) up to 2031 and 2038. The additional funding required from July 2023 will be subject to the key decision process.

11.0 Recommendation

11.1 The committee are asked to endorse the report.